The Management University of Africa

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UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF COMMERCE

BCM 323: INTRODUCTION TO INTERNATIONAL BUSINESS

DATE: 3RD AUGUST 2015

DURATION: 2 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. **Write all your answers in the Examination answer booklet provided.**

QUESTION ONE:
Read the Case Study below carefully and answer the questions that follow:

ACQUIRED ADVANTAGES TRADE THEORY AS APPLIED TO KENYAN ECONOMY

Acquired Advantages Trade theory states that some countries can improve their capabilities in participating in international business by developing certain advantages based on their available resources. Countries can increase these advantages by developing the following factors:

1. Education – they can train their manpower to a certain level that they become an asset to the country. They can then export skilled labor or attract labor-intensive production in their countries. Newly Industrializing Countries (NIC) of South East Asian Countries have exploited their educational system by training more people in tertiary institutions to be able to work in assembly plants and in other labor intensive industries.

Most of the countries of the developing world are training more of university graduates that cannot take up blue color jobs. The work of intellectuals is narrow and highly competitive. If a country produces more of university trained graduates then there will be an asymmetry in employment system whereby there will be few people to work in blue color jobs while there are a lot of unemployed university graduates unemployed. Unemployed university graduates can turn their knowledge to antisocial behavior and can be very clever thieves, drug traffickers and muggers.

2. Culture – some countries have exploited their unique cultural qualities to improve their participation in international business. Japan and United Kingdom can be said to be two countries that have exploited their cultural aspects. Japan is known to incorporate all Japanese culture to every management style that is being implemented in Japan. United Kingdom has exploited English as international business language.

Greece has exploited its history to attract a lot of tourists. Egyptian pyramids have attracted a lot of tourist to Egypt, and others.

3. Geographical position – a country can decide to take advantage of its geographical position by adopting particular policies, which will give rise to acquired advantages. Countries can promote those products that cannot be found in other countries in different seasons. Some countries have already taken the advantage of the western cultures' huge demand for cut flowers. There is also a growing demand for various kinds of horticultural products, including tropical fruits like bananas, passion fruits, and pineapples. These products are now being grown in big quantities in topical countries and then exported to the northern countries during winter. Kenya has tried to take the advantage of this theory by developing the Production of tropical fruits for export and the growing of cut flowers such as roses and carnations.

By exploiting these advantages, East African Countries can improve in the production and export of horticulture, floriculture and forest products. Horticultural Producers Association of Kenya handles all exports of fruits and vegetables and they export mainly tropical fruits and vegetables, including French Beans, Mangoes, Bananas, Avocadoes, and Peaches. On exporting flowers, Kenya is exporting a lot of flowers to EU Market, especially to Amsterdam, Paris, and London. Many foreigners have come to invest in this sector and they control substantial part of production through their elaborate networking. Together with Kenyan producing companies, they have formed a strong producer association to propagate their interests. The umbrella organization is called the Kenya Flower Council and is a very strong lobby group that has been recognized by the government and by the EU marketers. Other agricultural products that can be exported and can earn the country extra foreign exchange. These include such products like Khat (or Miraa in Kiswahili), Vanilla, oil palms, Bixa plants, sisal and pyrethrum. Another plant under experiment is the Jatropha diesel plant that is used to produce industrial fuel.

One major problem that faced these producer firms was the quality requirement of the EU market. There was a requirement for the use of certain chemicals in the control of pests and weeds. The Kenya Flower Council, Horticultural Crop Development Authority (HCDA), and the Kenya Government came together and agreed to establish a quality control organization called Kenya Plant Health Inspectorate Services (KEPHIS) to oversee the quality and to advice producers on the EU's quality level. EU has recently recognized this institution and has given it a grant of over Kshs.230 million to upgrade its standards and procure equipment for quality control. The support of KEPHIS by the Kenya Flower Council, Horticultural Crop Development Authority (HCDA), the Government of Kenya, and the EU will strengthen its inspecting capacity in order to win more of the EU's market.

Adopted from: *International Business Operations in Kenya*. Lelax global, p 45-46

Required:

a) How can countries acquire advantages and capabilities to participate in International business? **(7 Marks)**

b) Why do countries need to trade and what could be the greatest motivators for countries to trade? **(6 Marks)**

c) Why is there need for firms to associate themselves with others in a sector of industry like Kenya Flower Council, and of what benefit to individual firms is such associations? **(6 Marks)**

d) What are the challenges facing exporting firms from Kenya, and how can they be resolved? **(6 Marks)**

QUESTION TWO

There are many advantages and disadvantages the can be brought about by MNCs to a host country.

a) What are the advantages that can be brought about by multinational corporations to a host country, and how can a host country maximize on these benefits?

(8 Marks)

b) What are disadvantages and how can a country mitigate against these negative influences brought by MNCs? **(7 Marks)**

QUESTION THREE

Business environment and individual environmental factors influence attractiveness or otherwise of an investment destination. Briefly discuss the following:

a) Three political factors that can influence business environment and thus attract international businesses to transfer operations in that particular country.

(8 marks)

b) Three economic factors in a particular country that influence investment decisions in international firms. **(7 Marks)**

QUESTION FOUR

Formation of a regional trading bloc passes through several stages. Explain the following:

a) Different stages in the formation of a regional trading bloc. **(7 Marks)**

b) What are the benefits and disadvantages of joining a regional trading bloc like the East African Community? **(8 Marks)**

QUESTION FIVE

International firms use marketing mix to promote their products in developing countries.

a) Explain what you understand by marketing mix, elaborating on the different meanings of individual Ps as strategies. **(8 Marks)**

b) Briefly explain the importance of place as a physical location of an enterprise and elaborate on the benefits that can accrue to companies by locating there. **(7 Marks)**

QUESTION SIX

Kenya and South Africa have a long history of trading along the eastern African coast.

Explain briefly:

a) The role played by history, culture and geographical position in the promotion of trade in the world, and in East Africa in particular **(8 Marks)**

b) Explain four challenges facing current trade relations between the two Countries and give possible solutions to such challenges **(7 Marks)**